



Commodity Councils

“Leveraging the Air Force’s multi-billion dollar purchasing power to improve warfighter readiness”

FACT SHEET

What are Commodity Councils?

Commodity Councils are one of the leading practices in Purchasing and Supply Chain Management that are being increasingly implemented in commercial enterprises. The overall purpose of commodity councils is to leverage the purchasing power.

Commodity Councils are revolutionary in the Air Force because they replicate commercial industry processes that have resulted in success. In essence, they develop enterprise-wide procurement strategies; integrate customers and suppliers; drive commonality and standardization; and leverage the purchasing volume to ultimately satisfy these goals:

- Improve customer support
- Reduce purchase cost of items
- Increase quality of goods and services
- Accelerate delivery responsiveness

Commodity Councils are based on the following principals:

- The more organizations know about the parts and services they buy and manage, the more value they generate
- Commodity Councils fully leverage the total knowledge of the enterprise by being cross-functional and matrixed.
- Commodity Councils focus on groups of similar commodities.
- Commodity Councils are persistent structures. They operate continuously and are not stood-up and disbanded around particular events.
- Commodity Councils operate at the enterprise level.

poor performance, and increased time to transition, resulting in wasted time and dollars.

Why did AF/ILI launch the eLog21 Change Management effort?

Senior AF/IL leadership identified the risks of transforming logistics policies, processes, and technologies to better support the warfighter.

- Leadership’s concern was that failure to address the issues around transformation could result in:

What is the purpose of Commodity Councils?

Commodity Councils ensure that required parts and services are procured and managed to provide the greatest overall value to the enterprise in support of strategic goals. For Air Force Material Command, that means maximizing the supply component of Weapons Systems availability while minimizing supply chain costs and cycle times.

Commodity Councils achieve this objective through a process consisting of the following steps:

- **Market Intelligence** consists of collecting and documenting all available knowledge about the market for a respective commodity- suppliers, trends and directions, issues, prices. This is an ongoing activity typically performed by dedicated resources within the council.
- **Issue Identification** is the process of working with the customers for the commodities to understand and document what problems and issues need to be addressed in order to meet the enterprise goals. In this process, priorities are defined so that tradeoffs can be made between different potential sources of value, i.e quality, delivery time, and price.
- **Current Environment Analysis** is an assessment of the “as-is” state. It starts with a detailed spend analysis of the commodity group: how much money do we spend with contractors and organic repair? What contracts are in place with what suppliers? How well are they performing against requirements? What are the existing issues? And, what are their impacts on Weapons System availability and cost? These questions are documented and reviewed with the customer(s) for agreement.

- **Commodity Strategy and Plan Development** is where it all comes together. This development lays out how the council will source and manage the commodity for maximum value. Based on an understanding of the market and organic capabilities, the strategy lays out the approach to address the identified issues. The plan defines the steps required to execute that strategy (including the actual **sourcing** activities) and identifies the expected performance targets, typically by quarter.
- **Supplier Relationship Management and Development** occurs on an ongoing basis. It includes performance monitoring and management, but goes beyond that to understand how to collaboratively resolve problems and create win-win scenarios that benefit both the Air Force and the suppliers. It could include helping the suppliers become more automated with e-business capabilities as the Air Force moves in that direction.

Also , it could include working with a key supplier to streamline supply chain integration points, reduce acquisition and production lead times, improve parts reliability to reduce demands, and standardize parts across Weapon System platforms.

How will the Councils operate?

Governance, and its integration with the other key Air Force Material Command dimensions of Supplier and Weapons Systems, is the key aspect to Commodity Council operation.

Governance refers to the set of management structures and processes that link strategy to operation. The strategy in this case is to establish and operate enterprise-wide Commodity Councils that work together to support the strategic objectives and goals of Air Force Material Command. Part of this governance is a set of documented policies, procedures, and templates to guide each council in the development of their deliverables, and the execution of their mission. The other critical aspect of Commodity Council governance is enterprise-level management of Commodity Council operations. Enterprise management includes the approval of proposed improvement metrics and targets. It is the

responsibility of the governance process to ensure that commodity strategies support the enterprise strategic goals and objectives. Finally, this process ensures that there is consistency in how the councils operate and that lessons learned by one are available to all.

How can I learn more about PSCM and Commodity Councils?

For more information, we invite you to contact us at PSCM.Info@wpafb.af.mil or visit our website at <https://www.ripit.wpafb.af.mil/PSCM/PSCM.html>